



AR13

National Nursing Homes Ltd.
Fourth Annual Report, 1972

National Nursing Homes Ltd.

Officers of the Company

NEIL B. COOK president
GORDON McKEE executive vice-president
DONALD I. DEWAR general manager
MARJORIE C. DILLINGHAM director of personnel
NORA AGABOB secretary
D. JAMES DODD treasurer

Directors

NEIL B. COOK Vancouver
NEIL COLVILLE Vancouver
GORDON McKEE North Vancouver
LAWRENCE HYNES Toronto
WILLIAM A. CLARKE Toronto
DONALD I. DEWAR Burnaby
MARJORIE DILLINGHAM Richmond

Auditors

Thorne Gunn & Co.

Banks

The Mercantile Bank of Canada
Bank of Montreal

Solicitors

Freeman, Freeman, Silvers & Koffman, Vancouver
Fraser & Beatty, Toronto

Transfer Agent and Registrar

Canada Permanent Trust Company, Vancouver,
Toronto, Winnipeg, Calgary, Montreal

Stocks Listed

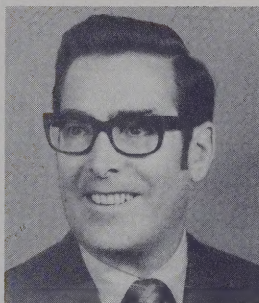
Toronto Stock Exchange
Canadian Stock Exchange
Vancouver Stock Exchange

Offices of the Company

2200 Guinness Tower,
1055 West Hastings Street,
Vancouver 1, B.C.

Annual Meeting of Shareholders

Garibaldi Room, Hotel Vancouver,
Vancouver, Canada, at 10 a.m.
on September 6, 1972.



first months of 1972 are that last year's record growth will be exceeded. We opened a branch in Edmonton, Alberta, in the spring of 1972 and commenced construction of a new office, warehouse and repair and parts depot on East

Hastings Street in Vancouver. Prospects for Rico's future growth in Alberta and British Columbia are excellent.

Our diversification program of the past year has added profit, stability and exciting growth potential. That same diversification has made it appropriate to change the name of our corporation. At the annual meeting, shareholders will be asked to approve the name "N. B. Cook Corporation Ltd.".

It is proposed at the annual meeting to increase the board of directors by the addition of two new members. Messrs. George Cushnie and William Babcock have agreed to allow their names to be presented as prospective directors.

Profitability and growth depend primarily upon people. The outstanding results of the past year demonstrate the capability of your Company's management team, the spirit of co-operation and the ability of your employees. The Directors express their sincere appreciation for the contribution made by the employees of your Company.

August 3, 1972.

NEIL B. COOK, President



Photo courtesy of Vancouver Sun.



Nursing Homes

Nursing homes have emerged as a visible growth area of the Canadian economy.

The modern nursing home, as exemplified by those owned or managed by National Nursing Homes Ltd., meets a natural and universal need by providing professionally-staffed, attractive facilities for the care of older citizens.

National has demonstrated that efficient management and comprehensive maintenance programs can keep costs down while the standards of care and comfort within the nursing home continue to rise.

At present, the National chain consists of five homes in the Toronto area, one in Regina and three in Calgary. In British Columbia, a modern facility for the Victoria area is planned and three nursing homes in Vancouver are under management contract.

The most conservative projections indicate that the demand for superior nursing home care and accommodation will continue to rise. In anticipation of this demand, National holds sites in Toronto, Peterborough, Winnipeg and Victoria for future nursing home development.

The Manors

In the Seventies, it has become apparent that increasing numbers of people are choosing a life style which offers them the opportunity to enjoy, at the peak of maturity, the rewards of earlier activity and effort without the responsibilities which so often cloud the years of earned leisure.

This desire on the part of so many to enjoy life to the full in a congenial community has been translated by National into a new concept in carefree living — The Manors.

The first of these total-living complexes, Oak Bay Manor opened in August 1972 in the community of Oak Bay, three miles from downtown Victoria.

There, residents enjoy the spacious luxury of superbly appointed accommodations and gracious service together with the freedom to choose the cultural, social and physical pursuits most rewarding to their individual needs.

And, should health or advancing years curtail the enjoyment such facilities can provide, there is the reassuring continuity provided by the Company's nursing homes.

Planning for the second Manor, Crofton Manor in Vancouver, is virtually complete. Other Manors are planned for the future in appropriate locations in Canada.

Rideau Investments Ltd.

In the current year, Rideau Investments Ltd. laid the groundwork for major development in British Columbia's Lower Mainland with the acquisition of some 350 acres of residential land in suburban Vancouver.

British Columbia's population growth rate is almost three times the national average and the majority of this continuing growth is concentrated in the area of Greater Vancouver. The pressure of this fast-growing population on available living space can only result in a steady increase in the value of such strategically located development property.

Rideau Investments Ltd. will continue to explore and take advantage of such growth opportunities.

Babcock Fisheries Ltd.

With the acquisition of Babcock, National moved into one of the primary industries in the economy of British Columbia.

Babcock, at present rated among the largest fishing companies on the West Coast, owns

its own production facilities in two locations — Vancouver and Prince Rupert.

The plants at Vancouver and Prince Rupert have full facilities, including docks, for the production of canned, frozen and fresh fish. Export markets throughout the world take 90% of the company's output.

It is anticipated that the capacity of the Prince Rupert plant, the larger of the two plants, will be expanded in the near future and that, with an expected substantial increase in the output of the Vancouver plant, Babcock will continue to experience increasing profitability.

Rico Machinery and Leasing Company Ltd.

Rico opened a new branch in Edmonton, Alberta, in June 1972 and later this year will significantly expand its Vancouver operations.

The development of distribution centres at Vancouver and Edmonton depend on the quality and effectiveness of the local materials handling systems. With full facilities for sales, service and rentals of leading lines of materials handling equipment in both Vancouver and Edmonton, together with the sales office in Calgary, Rico can meet the opportunities evident in the present activity and growth potential of centres which serve the Pacific Rim, the new North and the oil industry.

A continuing expansion of sales and services will be provided by the acquisition of other lines of complementary and allied materials handling equipment and the opening of the large, modern facility in Vancouver in October of this year.

National Nursing Homes Ltd.

Consolidated Balance Sheet

At May 31, 1972

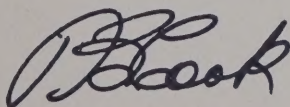
(with comparative figures at May 31, 1971)

ASSETS	1972	1971
CURRENT ASSETS		
Cash and bank deposit receipts	\$ 561,475	\$ 99,545
Advances to affiliated companies	—	432,937
Accounts receivable	1,280,617	370,139
Inventories at the lower of cost and net realizable value	737,260	—
Prepaid expenses	289,247	107,899
Current portion of mortgages receivable	782,149	—
	<u>3,650,748</u>	<u>1,010,520</u>
NON-CURRENT INVESTMENTS AND RECEIVABLES		
Property held for subdivision and development (Note 2)	4,021,387	—
Mortgages receivable net of current portion	380,560	—
Advances to affiliated company	98,176	—
	<u>4,500,123</u>	<u>—</u>
FIXED ASSETS, at cost (Note 3)	18,783,447	13,483,016
Less accumulated depreciation	2,609,426	1,623,025
	<u>16,174,021</u>	<u>11,859,991</u>
INTANGIBLES AND DEFERRED CHARGES		
Excess of cost over book value at date of acquiring subsidiaries	2,335,987	1,227,034
Financing costs less amortization	378,108	87,939
	<u>2,714,095</u>	<u>1,314,973</u>
	<u>\$27,038,987</u>	<u>\$14,185,484</u>

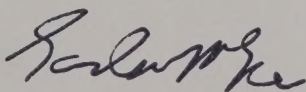
LIABILITIES	1972	1971
CURRENT LIABILITIES		
Bank loan (secured)	\$ 1,650,000	\$ 250,000
Accounts payable and accrued liabilities	1,241,702	565,678
Income taxes payable (Note 4)	273,369	221,157
Current portion of long-term debt	719,171	125,776
	<u>3,884,242</u>	<u>1,162,611</u>
 LONG-TERM DEBT (Note 5)	 <u>18,095,250</u>	 <u>8,992,872</u>
 DEFERRED INCOME TAXES	 <u>350,717</u>	 <u>49,619</u>
 MINORITY INTEREST IN SUBSIDIARY	 <u>60,694</u>	 <u>—</u>
 SHAREHOLDERS' EQUITY		
Capital Stock (Note 6)		
Authorized — 6,000,000 common shares of no par value		
Issued — 3,000,020 common shares	2,898,625	2,898,625
Contributed surplus	47,500	47,500
Retained earnings	1,701,959	1,034,257
	<u>4,648,084</u>	<u>3,980,382</u>
	<u>\$27,038,987</u>	<u>\$14,185,484</u>

Commitment (Note 7)

Approved by the Board



Neil B. Cook, Director



Gordon McKee, Director

National Nursing Homes Ltd.

Consolidated Statement of Income

Year ended May 31, 1972
(with comparative figures for 1971)

	1972	1971
REVENUE	\$ 9,463,956	\$ 6,073,556
EXPENSES		
Cost of sales and operating expenses	6,878,896	4,148,427
Depreciation (Note 3)	408,906	271,134
Interest on long-term debt	953,372	701,542
Deferred operating costs	—	43,289
	8,241,174	5,164,392
INCOME BEFORE UNDERNOTED ITEMS	1,222,782	909,164
Taxes on Income (Note 4)		
Current	309,227	342,558
Deferred	250,098	139,619
	559,325	482,177
	663,457	426,987
Interest of minority shareholders	10,636	—
INCOME BEFORE EXTRAORDINARY ITEMS	652,821	426,987
Income taxes reduction (Note 4)	53,928	118,003
Gain on redemption of Debentures	110,954	—
NET INCOME FOR THE YEAR	\$ 817,703	\$ 544,990
EARNINGS PER SHARE (Note 8)		
Income before extraordinary items	22 cents	14 cents
Net income for the year	27 cents	18 cents

Consolidated Statement of Retained Earnings

Year ended May 31, 1972
(with comparative figures for 1971)

	1972	1971
BALANCE AT BEGINNING OF YEAR	\$ 1,034,257	\$ 489,267
Net income for the year	817,703	544,990
Dividends paid	(150,001)	—
BALANCE AT END OF YEAR	\$ 1,701,959	\$ 1,034,257

National Nursing Homes Ltd.

Consolidated Statement of Source and Application of Funds

Year ended May 31, 1972

(with comparative figures for 1971)

	1972	1971
SOURCE OF FUNDS		
Operations		
Income before extraordinary items	\$ 652,821	\$ 426,987
Items not involving current funds		
Depreciation	408,906	271,134
Deferred income taxes	250,098	139,619
Amortization of financing costs	3,070	3,500
Deferred operating costs	—	43,289
Income taxes reduction	53,928	118,003
Funds from operations	1,368,823	1,002,532
Net increase in mortgages	7,639,945	343,430
Increase in other long-term debt	1,637,331	—
Interest of minority shareholders	10,636	—
	<u>10,656,735</u>	<u>1,345,962</u>
APPLICATION OF FUNDS		
Additions to fixed assets less disposals	3,967,386	1,813,565
Increase (decrease) in non-current investments and receivables	4,500,123	(69,619)
Investment in subsidiaries net of acquired working capital	1,362,327	(43,320)
Payment of financing costs	292,635	42,439
Redemption of debentures	465,666	—
Dividends paid	150,001	—
	<u>10,738,138</u>	<u>1,743,065</u>
DECREASE IN WORKING CAPITAL	81,403	397,103
WORKING CAPITAL DEFICIENCY at beginning of year	152,091	(245,012)
WORKING CAPITAL DEFICIENCY at end of year	<u>\$ 233,494</u>	<u>\$ 152,091</u>

Auditors' Report

To the Shareholders of National Nursing Homes Ltd.

We have examined the consolidated balance sheet of National Nursing Homes Ltd. and subsidiary companies as at May 31, 1972 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at May 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

August 2, 1972

THORNE GUNN & CO.
Chartered Accountants

Notes to Consolidated Financial Statements

1. Basis of Presentation

During the year ended May 31, 1972 the company acquired shares in the following subsidiary companies:

- a) a 60% interest in Rico Machinery and Leasing Co. Ltd., effective October 1, 1971.
- b) a 100% interest in Babcock Fisheries Ltd., effective January 1, 1972.

The consolidated balance sheet includes the accounts of all subsidiary companies all of which are wholly owned except for Rico Machinery and Leasing Co. Ltd. referred to above.

The consolidated statements of income and source and application of funds include the results of all companies for the year ended May 31, 1972 with the exception of the two companies referred to in the first paragraph for which the results are included only from the effective date of acquisition.

2. Property held for subdivision and development

During the year the company acquired properties which it intends to hold for future development. Over \$2,000,000 of raw land will be developed into residential subdivisions. The remainder is commercial property which is held for future development.

The company follows the practice of capitalizing the direct carrying charges on such property, principally interest and property taxes. Where such properties include buildings which are incidentally operated to produce income, the income, net of related operating expenses, is credited to the cost of the property. For income tax purposes the carrying charges less any income derived from the property are claimed as expenses in the year in which they are incurred.

3. Fixed Assets

	1972		1971	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Nursing homes and retirement residences				
Land	\$ 1,247,134	\$ —	\$ 1,247,134	\$ —
Buildings	8,287,420	1,289,724	8,286,023	1,081,997
Furniture and equipment	1,660,335	653,354	1,653,989	541,028
Construction in progress (Note 7)	3,827,860	—	636,899	—
Property held for future development	1,947,809	—	1,658,971	—
	<u>16,970,558</u>	<u>1,943,078</u>	<u>13,483,016</u>	<u>1,623,025</u>
Fishing				
Land	11,008	—	—	—
Buildings	196,528	71,814	—	—
Vessels and equipment	577,987	388,705	—	—
	<u>785,523</u>	<u>460,519</u>	<u>—</u>	<u>—</u>
Equipment operations				
Rental fleet and sundry	1,027,366	205,829	—	—
	<u>\$18,783,447</u>	<u>\$2,609,426</u>	<u>\$13,483,016</u>	<u>\$1,623,025</u>

Depreciation on the nursing homes and equipment operations has been provided on a straight line basis over the estimated useful lives of the assets. Depreciation on the fishing assets has been recorded on a diminishing balance basis at rates normally allowed for income tax purposes.

4. Income Taxes

Income taxes for the current year have been reduced by \$53,928 (\$118,003 in 1971) through the application of losses sustained in prior periods and this reduction has been treated as an extraordinary item of income. Losses available to be claimed in future years are approximately \$275,000.

5. Long-Term Debt	1972	1971
7% Convertible Redeemable Sinking Fund Debentures Series A due July 2, 1984	\$ 2,414,500	\$3,000,000
Mortgages		
On completed nursing homes: at rates averaging 9% % maturing 1976 to 1996	8,765,851	5,393,773
On sites held for future nursing homes and retirement residences: at rates averaging 8½ % maturing 1972 to 1974	177,522	724,875
On property held for subdivision and development: at rates averaging 9½ % maturing 1973 to 1982	2,378,867	—
Interim bank financing on retirement residence under construction, to be repaid out of mortgage proceeds bearing interest at 9¾ %	2,732,000	—
Others		
Amount owing on purchase of shares repayable \$285,000 annually with interest at 6½ %	1,325,000	—
Note payable with interest at 7%	706,000	—
Sundry	314,681	—
	18,814,421	9,118,648
Less current portion	719,171	125,776
	<u>\$18,095,250</u>	<u>\$8,992,872</u>

Principal payments due within the next five years on long-term debt are as follows:

1973	719,171
1974	1,379,284
1975	839,819
1976	781,504
1977	2,615,497

The Series A Debentures are convertible into shares at \$6.25 per share on or before July 2, 1974 and thereafter at prices increasing \$.50 per year until July 1979, at which date the right to convert will expire. Annual sinking fund payments of \$300,000 on the Series A Debentures commence in 1975 but may be reduced

by the par value of any debentures which have been purchased or converted. To May 31, 1972 the company had purchased debentures with a par value of \$585,500.

6. Capital Stock

- At May 31, 1972 there were 474,980 share purchase warrants outstanding. The warrants entitle the holders thereof to purchase 474,980 shares at \$6.25 per share, if exercised on or before July 2, 1974 and thereafter at prices increasing \$.50 per year until July 2, 1979, at which date all share purchase warrants not exercised will be void.
- 861,300 shares are reserved for issuance upon exercise of share purchase warrants and Series A Convertible Debentures.
- The Trust Indenture under which the Series A Debentures were issued contains certain restrictions on the payment of dividends. During the ensuing year, because of the said restrictions, dividends may not be paid in excess of \$272,000.

7. Commitment

One of the subsidiary companies is constructing a retirement residence which is estimated to cost approximately \$5,000,000. To May 31, 1972 the company had spent \$3,827,860 on construction and the balance will be payable in the ensuing year.

8. Earnings per Share

The figures for earnings per share are calculated on the number of shares outstanding for the 1972 and 1971 years. Fully diluted earnings per share, assuming that all of the 7% convertible debentures outstanding at May 31, 1972 had been converted into common shares on June 1, 1971 and all share purchase warrants had been exercised on June 1, 1971, with the funds derived therefrom being invested to produce an annual return of 6% before applicable income taxes, would be as follows: Fully diluted earnings per share:

Income before extraordinary items	22 cents
Net income for the year	26 cents

9. Patients' Trust Funds

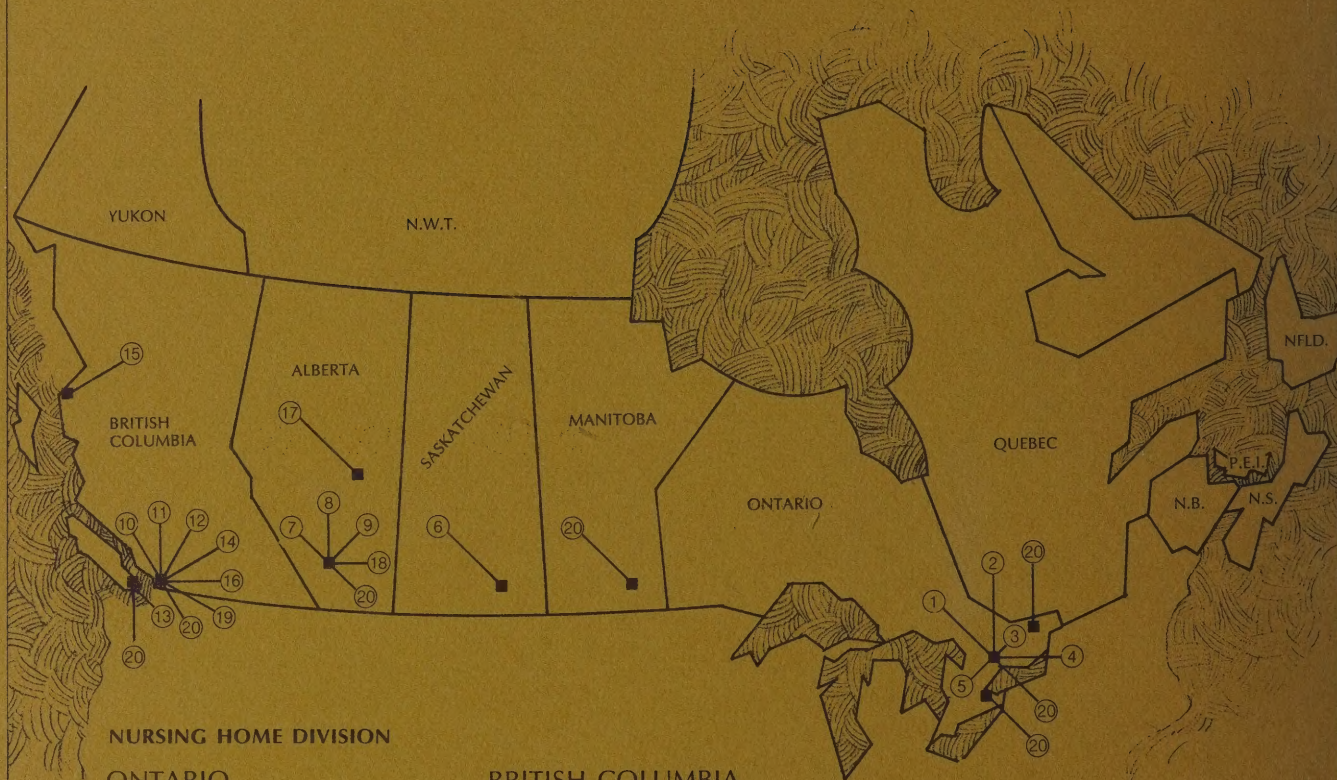
Not included in cash or liabilities are balances of \$128,562 (\$75,936 in 1971) held for patients in trust bank accounts.

10. Other Statutory Information

The aggregate remuneration paid by the company and its subsidiaries to the directors and senior officers of the company for the year was \$143,000 (\$122,800 in 1971).

11. Events Subsequent to the Year-End

Subsequent to the year end the company exercised its option to purchase all of the outstanding Debentures of Mt. Garibaldi Glacier Resorts Ltd. for a total consideration of \$250,000.



NURSING HOME DIVISION

ONTARIO

- ① ALTAMONT in Westhill, has 149 beds and was built in 1964. It won a prize for its architectural design and was named nursing home of the month.
- ② TULLAMORE in Brampton, has 149 beds.
- ③ CHELTENHAM in Willowdale, has 159 beds.
- ④ ROCKCLIFFE in Scarborough, has 204 beds and is four stories, built in 1969.
- ⑤ CHELSEY PARK in Mississauga, has 237 beds, was opened in 1970, and is four stories.

SASKATCHEWAN

- ⑥ PARKSIDE in Regina, opened in 1965 and expanded in 1970, has 226 beds.

ALBERTA

- ⑦ SOUTHWOOD in Calgary, opened in 1963, has 120 beds.
- ⑧ BRENTWOOD in Calgary, opened in 1963, has 120 beds.
- ⑨ CHINOOK in Calgary, opened in 1964, has 149 beds and features western ranch style type of architecture.

BRITISH COLUMBIA

Private hospitals managed under contract

- ⑩ NORMANDY in Vancouver, is a cottage style nursing home and was opened in 1964. It has a reputation for being the finest private hospital in Canada. It has 75 beds.
- ⑪ KENSINGTON in Vancouver, opened in 1963. Close to a major shopping centre, has a colonial type architecture and 74 beds.
- ⑫ WILLINGDON in Burnaby, opened in 1964 in a cottage-style, landscaped setting, has 75 beds.

MANOR DIVISION

BRITISH COLUMBIA

- ⑬ OAK BAY MANOR in Victoria, opened in 1972, has 272 rooms plus 50% of total area dedicated to public space; designed for gracious carefree living.

INDUSTRIAL AND COMMERCIAL DIVISION

- ⑭ BABCOCK FISHERIES (Vancouver)
- ⑮ BABCOCK FISHERIES (Prince Rupert)

- ⑯ RICO MACHINERY AND LEASING (Vancouver)
- ⑰ RICO MACHINERY AND LEASING (Edmonton)
- ⑱ RICO MACHINERY AND LEASING (Calgary)

LAND DEVELOPMENT AND MORTGAGE FINANCE DIVISION

- ⑲ RIDEAU INVESTMENTS . . . holds more than 350 acres of residential land in British Columbia's Lower Mainland.
- ⑳ OTHER HOLDINGS

In ONTARIO . . . property is held in Toronto, Burlington and Peterborough.

In MANITOBA . . . property is held in Winnipeg.

In ALBERTA . . . building site is held in Calgary.

In BRITISH COLUMBIA . . . building sites held in Vancouver and Victoria.

